

Governor's Capital Transportation Funding Working Group: A Summary

The Challenge

- In the fall of 2005, the Maine Department of Transportation (MaineDOT) was forced to defer transportation projects worth about \$130 million, representing about 20 percent of the projects in MaineDOT's 2006-07 Capital Work Plan. Contributory factors include unprecedented increases in construction costs caused by world-wide demand and recent hurricanes, federal cash-flow challenges from the recently-passed federal transportation bill, aggressive programming, and higher production rates. If left unresolved, this deferral will impact 143 projects in 112 communities across Maine.
- Given the impact that transportation investment has on safety, the economy, jobs, and the day-to-day lives of Maine travelers, public officials and stakeholders voiced strong disappointment. On December 1, 2005, Governor John Baldacci described this deferral as "unacceptable", and called for a 15 member, bi-partisan Working Group of knowledgeable legislators, industry and business leaders, municipal officials and other stakeholders.
- The Working Group was charged with delivering to the Governor and the Transportation Committee, by the end of January 2006, a report that includes an assessment of the impact of the deferrals, and recommendations to restore as many of the deferred projects as the Working Group considers necessary and prudent.

Conclusions and Recommendations

- **The impacts of the deferral are widespread and significant** including potential safety ramifications related to project deferrals that would have reduced the number of crashes, annual job losses in the construction and design industries estimated at between 1,000 and 2,500, increased costs due to high inflation rates in construction and real estate sectors, dramatically reduced flexibility in funding new projects in MaineDOT's next capital program, increased maintenance costs, and impacts on local development plans.
- **The immediate need for funding is \$90 million** largely due to the ongoing, production-oriented nature of MaineDOT's capital program. That is, the suspension of work last fall on the deferred projects means that the output scheduled to be completed by June 30, 2007 will be reduced and those projects can be pushed back to wait for funding in the next biennium. MaineDOT estimates the cost of "pushed" projects at approximately \$30 million, meaning the original \$130 million deferral amount can be reduced accordingly. Further, the original amount can be reduced by an estimated \$10 million in engineered savings from piloting alternative strategies such as reduced treatments, simplified specifications for certain types of work, wider use of "get in and get out" concepts, and calculated risk allocation.
- **To address this immediate need, the Group unanimously recommended that the State:**
 - ✓ invest an additional \$90 million in MaineDOT's capital program to partially restore deferred projects;
 - ✓ structure this funding on a 1/3rd cash, 2/3rd bonding basis to provide a reasoned and fiscally prudent balance between cash and bonding, while recognizing that the long-term nature of transportation infrastructure requires long-term investment strategies;
 - ✓ appropriate \$30 million in cash from about \$15 million in Highway Fund (HF) allocations including savings from MaineDOT efficiency efforts and from HF revenue re-forecasting, with the remainder - about \$15 million - coming from the General Fund, recognizing that the

composition of the General Fund component will be contingent upon budget proceedings, budget priorities, revenue reforecasting, and the availability of lapsing balances and cascades; and

- ✓ authorize \$60 million in bonding by utilizing GARVEE Bonds (federally authorized bonds used for transportation only that are secured solely by future federal transportation funds) at a suggested level \$40 million, with the remaining \$20 million being General Obligation Bonds, State Revenue Bonds, and/or additional GARVEE Bonds.

Funding recommendations to address the immediate challenge are summarized below.

All dollar figures are in \$ Millions

<u>CHALLENGE</u>		
Projects Deferred in Fall 2005 Due to Inflation & Federal Cash Flow		\$130.0
LESS: Projects Undeliverable by 06/30/07		(\$30.0)
LESS: Engineered savings (process, contracting, design)		(\$10.0)
IMMEDIATE NEED:		\$90.0
<u>SOLUTION</u>		
CASH		
Highway Fund (MaineDOT Personal Services and other + Revenue Reprojections)	\$15.0	
General Fund	\$15.0	
Cash Subtotal:		\$30.0 \$30.0
BONDING		
<i>GARVEE (Federal Revenue Bond)</i>		
One-time Issuance	\$40.0	
<i>Other (Descending Order of Preference)</i>		
State General Obligation Bond	\$20.0	
State Revenue Bond		
Additional GARVEE		
Bonding Subtotal:		\$60.0 \$60.0
TOTAL - IMMEDIATE SOLUTION:		\$90.0

- Looking forward, the Working Group found that capital transportation needs are chronically under-funded and the current transportation funding model is neither adequate nor sustainable for funding Maine's transportation infrastructure, now or in the future. Accordingly, it is recommended that work continue toward identifying alternative funding options to meet this long-term challenge.

To view the full, 85-page report of the Working Group, go to www.mainedot.gov. Hard copies of the full report will be delivered to all Maine Legislators, and will be available at the Transportation Committee chambers, Room 126 of the State House.